

**REPORT OF THE AUDIT OF THE
FRANKLIN COUNTY
SCHOOL DISTRICT**

**For The Fiscal Year Ended
June 30, 2013**

ROSS & COMPANY, PLLC
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Members of the Board
Franklin County School District
Frankfort, Kentucky

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Franklin County School District, Frankfort, Kentucky, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Office of Management and Budget Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Franklin County School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 35 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Franklin County School District's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subject to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2013, on our consideration of the Franklin County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* considering Franklin County School Districts' internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in cursive script that reads "Ross and Company".

Ross and Company, PLLC
November 13, 2013

Franklin County School District
Frankfort, Kentucky
Management's Discussion and Analysis (MD & A)
Year Ended June 2013

As management of the Franklin County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements.

FINANCIAL HIGHLIGHTS

- During the 2012-2013 Fiscal Year the District issued three Bond Issues. These issues are the SERIES 2012, SECOND SERIES 2012, and SERIES 2013 Bonds. The Principal amounts of these bonds is \$5,750,000, \$10,550,000, and \$10,235,000 respectively at par and were issued at the following (discounts) or premium of (\$30,303), \$247,039, and \$144,423 respectively. The Bond series consists of interest Yields ranging from .5% to 2.3%. The issues were used to call principal in the amounts of \$5,455,000, \$10,050,000, and \$9,575,000 on the following issues 2003 SERIES, 204B SERIES, and 2004A & 2005 SERIES. The Gross savings from these issues was \$577,600, \$1,223,314, and \$708,157. The Present Value Savings was \$520,099, \$1,087,526, and \$617,175 respectively.
- The General Fund had \$46,177,725 in revenue, which consisted primarily of State Program revenues (SEEK and on-behalf payments), property taxes, utility taxes, and motor vehicle taxes. There was \$47,166,464 in general fund expenditures and \$87,178 in inter-fund transfers.
- The District continues to participate in the Kentucky Inter-Local School Transportation Association (KISTA) equipment lease revenue bonds program for the purpose of acquiring replacement buses. The District acquired five buses under this program during the 2012-2013 fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide financial statements. The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's Net Position changed during the most recent fiscal year. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and

FRANKLIN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2013
(Continued)

intergovernmental revenues. The district-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the district are included in the governmental funds. The basic governmental fund financial statements can be found on pages 11 and 13 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 20-34 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$30.1 million as of June 30, 2013.

The largest portion of the District's Net Position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Position for the period ending June 30, 2012 and June 30, 2013

	2012	2013
Current Assets	\$20,228,845	\$12,366,824
Non-current Assets	80,106,385	85,342,730
Total Assets	\$100,335,230	\$97,709,554
Current Liabilities	\$9,124,778	\$8,059,088
Non-current Liabilities	61,485,283	59,522,425
Total Liabilities	\$70,610,061	\$67,581,513
Net Position		
Investment in capital assets (net of debt)	\$15,651,586	22,379,483
Restricted	12,425,795	4,812,116
Unrestricted	1,647,788	2,936,442
Total Net Position	\$29,725,169	\$30,128,041

FRANKLIN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2013
(Continued)

The following table presents a District wide comparison of changes in Net Position and summary of revenues and expenses for the fiscal years ended June 30, 2012 and June 30, 2013.

	2012	2013
Revenues:		
Program Revenues		
Fees for services	\$ 2,179,606	\$ 2,247,199
Federal/state grants	8,761,711	8,475,915
General Revenues		
Property taxes	16,526,636	17,308,475
Motor Vehicle Tax	1,560,408	1,606,366
Utility taxes	2,921,426	2,781,129
Interest earnings	56,858	32,655
State grants	26,893,534	28,120,666
Other	3,115,893	861,204
Total revenues	62,016,072	61,433,609
Expenses:		
Instruction	\$ 33,521,476	\$ 33,693,266
Student support services	2,871,800	2,862,582
Instructional support	3,421,345	3,009,879
District administration	1,326,034	1,040,589
School administration	3,705,105	3,839,477
Business support	627,108	710,448
Plant operation	538,303	4,929,122
Student transportation	4,181,208	4,274,038
Community service	557,574	536,970
Facility Acquisition & Const.	640,295	103,691
Debt service - interest	2,472,240	1,482,560
Food service	2,930,970	2,910,039
Daycare	1,283,239	1,501,841
Other	82,394	136,235
Total expenditures	58,159,091	61,030,737
Change in Net Position	\$ 3,856,981	\$ 402,872

On-behalf payment amounts are included in the above figures. On-behalf payments, as defined by KDE, are payments the state makes on behalf of employees to the various agencies for health and life insurance, retirement benefits, debt service, and administration fees.

FRANKLIN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2013
(Continued)

General Fund Budgetary Highlights

- The District's total general fund revenues for the fiscal year ended June 30, 2013, excluding the inter-fund transfers and on behalf payments were \$37,259,761.
- The total cost of all general fund programs and services excluding the inter-fund transfers was \$47,166,464.
- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual revenues being \$301,348 more than budgeted by 0.72% favorable percentage points.
- General fund budget expenditures to actual varied from line item to line item with the ending actual expenditures being \$3,234,125 less than budget by 7.78% favorable percentage points.

Future Budgetary Implications

In Kentucky, the public schools fiscal year is July 1 – June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget for 2012-2013 with an approximate 8.3% contingency. The District has adopted a budget for 2013-2014 with an approximate 7.5 % contingency.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2013 fiscal year, the District had invested \$128,006,620 in a broad range of capital assets, including equipment, buses, buildings, and land. Depreciation expense for the year was \$3,428,435.

District Capital Assets (net of Depreciation)			
	Governmental Activities	Business-Type Activities	Total
Land	\$ 1,540,672	\$ -	\$ 1,540,672
Land Improvements	1,236,972	-	1,236,972
Buildings & Improvements	68,580,057	-	68,580,057
Equipment	1,261,703	484,391	1,746,094
Vehicles	2,359,260	-	2,359,260
Construction in Progress	9,879,674	-	9,879,674
	<u>\$ 84,858,338</u>	<u>\$ 484,391</u>	<u>\$ 85,342,729</u>

Long-Term Debt

The District had \$62,963,247 in bonds/leases outstanding at year-end. The District retired \$28,604,405 of bonded debt during fiscal year 2013.

FRANKLIN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2013
(Continued)

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers and other interested readers with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the District's Superintendent or Finance Director.

FRANKLIN COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
DISTRICT WIDE

As of June 30, 2013

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets			
Cash and cash equivalents	\$ 3,130,828	\$ 787,005	\$ 3,917,833
Investments	5,000,000	-	5,000,000
Other receivables	1,293,629	61,224	1,354,853
Inventory	-	88,370	88,370
Unamortized bond issuance cost	2,005,768	-	2,005,768
Total current assets	11,430,225	936,599	12,366,824
Non-current Assets			
Land	1,541,736	-	1,541,736
Land Improvements	3,469,577	-	3,469,577
Buildings and improvements	98,825,028	-	98,825,028
Furniture and equipment	12,710,429	1,580,176	14,290,605
Construction in progress	9,879,674	-	9,879,674
Less: Accumulated depreciation	(41,568,106)	(1,095,784)	(42,663,890)
Total non-current assets	84,858,338	484,392	85,342,730
Total assets	\$ 96,288,563	\$ 1,420,991	\$ 97,709,554
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 1,033,765	\$ 20,687	\$ 1,054,452
Deferred revenue	881,798	56,351	938,149
Interest payable	1,919,266	-	1,919,266
Current portion of long-term obligations	3,255,000	-	3,255,000
Current portion of capital lease obligations	410,971	-	410,971
Current portion of sick-leave	157,952	-	157,952
Other current liabilities	323,298	-	323,298
Total current liabilities	7,982,050	77,038	8,059,088
Non-current Liabilities			
Non-current portion of long-term obligation	57,740,000	-	57,740,000
Non-current portion of capital lease obligation	1,557,276	-	1,557,276
Non-current portion of accrued sick leave	225,149	-	225,149
Total non-current liabilities	59,522,425	-	59,522,425
Total liabilities	67,504,475	77,038	67,581,513
NET POSITION			
Invested in capital assets, net of related debt	21,895,091	484,392	22,379,483
Restricted for:			
Capital projects	3,650,123	-	3,650,123
New Assets	-	756,710	756,710
Other	390,802	14,481	405,283
Unrestricted	2,848,072	88,370	2,936,442
Total net position	28,784,088	1,343,953	30,128,041
Total liabilities and net position	\$ 96,288,563	\$ 1,420,991	\$ 97,709,554

See accompanying notes to financial statements.

FRANKLIN COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
DISTRICT WIDE

For the year ended June 30, 2013

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities						
Instruction	\$ 33,693,266	\$ 91,914	\$ 3,252,651	\$ -	\$ -	\$ (30,348,701)
Support services:						
Student	2,862,582	-	524,377	-	-	(2,338,205)
Instruction staff	3,009,879	-	828,032	-	-	(2,181,847)
District administrative	1,040,589	-	-	-	-	(1,040,589)
School administrative	3,839,477	-	-	-	-	(3,839,477)
Business	710,448	-	44,095	-	-	(666,353)
Plant operation and maintenance	4,929,122	-	116	-	-	(4,929,006)
Student transportation	4,274,038	-	3,949	-	-	(4,270,089)
Facilities acquisition and construction	103,691	-	401,145	-	-	1,485,662
Community service activities	536,970	-	-	-	-	(536,970)
Other	136,235	-	-	-	-	(136,235)
Interest on long-term debt	1,482,560	-	-	-	-	(1,482,560)
Total governmental activities	56,618,857	91,914	5,054,365	(50,284,370)	-	(50,284,370)
Business-type Activities						
Food service	2,910,039	798,419	2,088,455	-	(23,165)	(23,165)
After School Program	1,501,841	1,356,866	144,887	-	(88)	(88)
Total business-type activities	4,411,880	2,155,285	2,233,342	-	(23,253)	(23,253)
Total school district	\$ 61,030,737	\$ 2,247,199	\$ 7,287,707	\$ (50,284,370)	\$ (23,253)	\$ (50,307,623)
General Revenues						
Property taxes				\$ 16,890,810	\$ -	\$ 16,890,810
Delinquent property tax				417,665	-	417,665
Motor vehicle taxes				1,606,366	-	1,606,366
Utility taxes				2,781,129	-	2,781,129
Other taxes				705,634	-	705,634
Investment earnings				31,343	1,312	32,655
State aid formula grants				28,120,666	-	28,120,666
Gain on sale of fixed assets				(13,580)	-	(13,580)
Miscellaneous				169,150	-	169,150
Transfers				47,953	(47,953)	-
Total general revenues				50,757,136	(46,641)	50,710,495
Change in net position				472,766	(69,894)	402,872
Net position - beginning				28,311,322	1,413,847	29,725,169
Net position - ending				\$ 28,784,088	\$ 1,343,953	\$ 30,128,041

See accompanying notes to financial statements.

FRANKLIN COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS

As of June 30, 2013

	General Fund	Special Revenue	Construction Fund	Other Governmental	Total Governmental
ASSETS					
Cash and cash equivalents	\$ (1,504,045)	\$ 133,145	\$ 3,507,684	\$ 994,044	\$ 3,130,828
Investments	5,000,000	-	-	-	5,000,000
Other receivables	538,893	754,736	-	-	1,293,629
Total assets	<u>\$ 4,034,848</u>	<u>\$ 887,881</u>	<u>\$ 3,507,684</u>	<u>\$ 994,044</u>	<u>\$ 9,424,457</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 176,077	\$ 6,083	\$ 851,605	\$ -	\$ 1,033,765
Deferred revenue	-	881,798	-	-	881,798
Other current liabilities	323,298	-	-	-	323,298
Total liabilities	<u>499,375</u>	<u>887,881</u>	<u>851,605</u>	<u>-</u>	<u>2,238,861</u>
Fund Balances					
Restricted:					
Sick Leave Payable	157,952	-	-	-	157,952
Future Construction	-	-	2,656,079	-	2,656,079
SFCC Escrow	-	-	-	994,044	994,044
Committed:					
Site Base CFWD	174,877	-	-	-	174,877
Assigned:					
Purchase Obligations	57,973	-	-	-	57,973
Unassigned:	3,144,671	-	-	-	3,144,671
Total fund balances	<u>3,535,473</u>	<u>-</u>	<u>2,656,079</u>	<u>994,044</u>	<u>7,185,596</u>
Total liabilities and fund balances	<u>\$ 4,034,848</u>	<u>\$ 887,881</u>	<u>\$ 3,507,684</u>	<u>\$ 994,044</u>	<u>\$ 9,424,457</u>

See accompanying notes to financial statements.

FRANKLIN COUNTY SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS -
BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2013

Amounts reported for governmental activities in the statement of net position are different because:

Total Fund Balance-Governmental Funds	\$ 7,185,596
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental:

Cost of capital	\$ 116,546,770	
Construction in progress	9,879,674	
Accumulated depreciation	<u>(41,568,106)</u>	84,858,338

Long-term liabilities including bonds payable are not due and payable in the current period and therefore are not reported as liabilities in the funds:

Bonds payable	(60,995,000)	
Capital lease payable	(1,968,247)	
Unamortized bond issuance cost	2,005,768	
Interest payable	(1,919,266)	
Sick leave	<u>(383,101)</u>	<u>(63,259,846)</u>

Total Net Position-Governmental Funds	<u>\$ 28,784,088</u>
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See accompanying notes to financial statements.

FRANKLIN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the year ended June 30, 2013

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
From local sources					
Property taxes	\$ 13,947,178	\$ -	\$ -	\$ 3,361,297	\$ 17,308,475
Motor vehicle taxes	1,606,366	-	-	-	1,606,366
Utility taxes	2,781,129	-	-	-	2,781,129
Other taxes	705,634	-	-	-	705,634
Earnings on investments	14,938	561	16,405	-	31,904
Other local revenues	233,664	287,108	25,958	-	546,730
State sources					
SEEK	17,720,182	-	-	1,188,208	18,908,390
On Behalf Payments	8,917,964	-	-	1,233,292	10,151,256
Other	151,731	1,869,827	-	-	2,021,558
Federal - indirect	97,497	2,896,869	-	-	2,994,366
Other revenues	1,442	-	-	-	1,442
Total revenues	46,177,725	5,054,365	42,363	5,782,797	57,057,250
Expenditures					
Instruction	27,939,890	3,339,829	-	-	31,279,719
Support services					
Student	2,333,122	524,377	-	-	2,857,499
Instruction staff	2,032,167	828,032	-	-	2,860,199
District administration	1,040,162	-	-	-	1,040,162
School administration	3,838,345	-	-	-	3,838,345
Business	660,104	44,095	-	-	704,199
Plant operation and maintenance	4,907,230	116	-	51,346	4,958,692
Student transportation	3,832,127	3,949	-	-	3,836,076
Facilities acquisition and construction	-	-	7,796,842	-	7,796,842
Community service activities	132,043	401,145	-	-	533,188
Debt service	451,274	-	-	5,108,665	5,559,939
Total expenditures	47,166,464	5,141,543	7,796,842	5,160,011	65,264,860
Excess (deficit) of revenues over expenditures	(988,739)	(87,178)	(7,754,479)	622,786	(8,207,610)
Other Financing Sources (Uses)					
Operating transfers in	47,953	87,178	30,125	3,875,373	4,040,629
Operating transfers out	(87,178)	-	-	(3,905,498)	(3,992,676)
Total other financing sources (uses)	(39,225)	87,178	30,125	(30,125)	47,953
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(1,027,964)	-	(7,724,354)	592,661	(8,159,657)
Net change in fund balances	(1,027,964)	-	(7,724,354)	592,661	(8,159,657)
Fund balance, July 1, 2012	4,563,437	-	10,380,433	401,383	15,345,253
Fund balance, June 30, 2013	\$ 3,535,473	\$ -	\$ 2,656,079	\$ 994,044	\$ 7,185,596

See accompanying notes to financial statements.

FRANKLIN COUNTY PUBLIC SCHOOLS DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2013

Total net change in fund balances- governmental funds \$ (8,159,657)

Amounts reported for governmental activities in the statement of net position are different because:

Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the period. 4,678,137

In the statement of activities, only the gain on the sale of asset is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differ from the change in fund balances by the basis of the asset sold. (13,580)

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets however issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. This is the amount by which bond proceeds exceed principal payments. 3,524,405

In the statement of activities, certain operating expenses such as compensated absences (sick leave), are measured by the amount earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year special termination benefits paid exceed the amounts earned. 26,722

Interest on long-term debt in the statement of activities differs from the amount reported in governmental funds because interest is recorded as an expenditure in the fund when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the net result of accrued interest on bonds. 416,739

Change in Net Position - Governmental Funds \$ 472,766

See accompanying notes to financial statements.

FRANKLIN COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

As of June 30, 2013

ASSETS	<u>Food Service Fund</u>	<u>After School Programs</u>	<u>Total</u>
Current Assets			
Cash and cash equivalents	\$ 551,797	\$ 235,208	\$ 787,005
Other receivables	49,615	11,609	61,224
Inventory	88,370	-	88,370
Total current assets	<u>689,782</u>	<u>246,817</u>	<u>936,599</u>
Noncurrent Assets			
Furniture and equipment	1,580,176	-	1,580,176
Less: Accumulated depreciation	(1,095,784)	-	(1,095,784)
Total noncurrent assets	<u>484,392</u>	<u>-</u>	<u>484,392</u>
Total assets	<u>\$ 1,174,174</u>	<u>\$ 246,817</u>	<u>\$ 1,420,991</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 7,376	\$ 13,311	\$ 20,687
Deferred Revenue	56,351	-	56,351
Total current liabilities	<u>63,727</u>	<u>13,311</u>	<u>77,038</u>
Total liabilities	<u>63,727</u>	<u>13,311</u>	<u>77,038</u>
NET POSITION			
Invested in capital assets, net of related debt	484,392	-	484,392
Restricted for:			
New Assets	537,685	219,025	756,710
Inventory	88,370	-	88,370
Other	-	14,481	14,481
Total net position	<u>1,110,447</u>	<u>233,506</u>	<u>1,343,953</u>
Total liabilities and net position	<u>\$ 1,174,174</u>	<u>\$ 246,817</u>	<u>\$ 1,420,991</u>

See accompanying notes to financial statements.

FRANKLIN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

For the year ended June 30, 2013

	Food Service Fund	After School Programs	Total
Operating Revenues			
Service sales	\$ 798,419	\$ 1,356,866	\$ 2,155,285
Total operating revenues	<u>798,419</u>	<u>1,356,866</u>	<u>2,155,285</u>
Operating Expenses			
Salaries and wages	1,447,010	1,208,119	2,655,129
Professional and contract services	44,247	16,235	60,482
Supplies and materials	1,277,606	232,945	1,510,551
Depreciation	87,686	-	87,686
Other operating expenses	53,490	44,542	98,032
Total operating expenses	<u>2,910,039</u>	<u>1,501,841</u>	<u>4,411,880</u>
Operating income (loss)	<u>(2,111,620)</u>	<u>(144,975)</u>	<u>(2,256,595)</u>
Non-operating revenues (expenses)			
Federal grants	1,886,193	-	1,886,193
State grants	202,262	144,887	347,149
Interest income	1,312	-	1,312
Total non-operating revenues (expenses)	<u>2,089,767</u>	<u>144,887</u>	<u>2,234,654</u>
Other Financing Sources (Uses)			
Operating transfers out	-	(47,953)	(47,953)
Total other financing sources (uses)		<u>(47,953)</u>	<u>(47,953)</u>
Net income (loss)	(21,853)	(48,041)	(69,894)
Total net position, July 1, 2012			
Prior Period Adjustments	<u>1,132,300</u>	<u>281,547</u>	<u>1,413,847</u>
Total net position, June 30, 2013	<u>\$ 1,110,447</u>	<u>\$ 233,506</u>	<u>\$ 1,343,953</u>

See accompanying notes to financial statements.

FRANKLIN COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the year ended June 30, 2013

	Food Service Fund	After School Program	Total
Cash Flows from Operating Activities			
Cash received from service sales	\$ 825,886	\$ 1,383,326	\$ 2,209,212
Cash payments to employees for services	(1,447,010)	(1,208,119)	(2,655,129)
Cash payments to suppliers for goods and services	(1,344,446)	(253,872)	(1,598,318)
Cash payments for other operating activities	(53,490)	(44,542)	(98,032)
Net cash from operating activities	<u>(2,019,060)</u>	<u>(123,207)</u>	<u>(2,142,267)</u>
Cash Flows from Capital Financing Activities			
Acquisition of capital assets	(98,074)	-	(98,074)
Net cash from capital financing activities	<u>(98,074)</u>	<u>-</u>	<u>(98,074)</u>
Cash Flows from Noncapital Financing Activities			
Non-operating grants received	2,088,455	144,887	2,233,342
Transfers	-	(47,953)	(47,953)
Net cash from noncapital financing activities	<u>2,088,455</u>	<u>96,934</u>	<u>2,185,389</u>
Cash Flows from Investing Activities			
Interest on investments	1,312	-	1,312
Net cash flows from investing activities	<u>1,312</u>	<u>-</u>	<u>1,312</u>
Net increase in cash and cash equivalents	(27,367)	(26,273)	(53,640)
Cash and cash equivalents - beginning	579,164	261,481	840,645
Cash and cash equivalents - ending	<u>\$ 551,797</u>	<u>\$ 235,208</u>	<u>\$ 787,005</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ (2,111,620)	\$ (144,975)	\$ (2,256,595)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation	87,686	-	87,686
Changes in assets and liabilities:			
Receivables	(2,325)	26,460	24,135
Inventory	(20,969)	-	(20,969)
Deferred Revenue	29,792	-	29,792
Accounts payable	(1,624)	(4,692)	(6,316)
Net Cash Provided by Operating Activities	<u>\$ (2,019,060)</u>	<u>\$ (123,207)</u>	<u>\$ (2,142,267)</u>

See accompanying notes to financial statements.

FRANKLIN COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

June 30, 2013

ASSETS	<u>Trust/Agency Fund</u>
Current Assets	
Due from other funds	<u>\$ 756,050</u>
Total assets	<u><u>\$ 756,050</u></u>
 LIABILITIES	
Current Liabilities	
Due to school groups	<u>\$ 756,050</u>
Total net position and liabilities	<u><u>\$ 756,050</u></u>

See accompanying notes to financial statements.

FRANKLIN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE- FIDUCIARY FUNDS

For the year ended June 30, 2013

	<u>Trust/Agency Fund</u>
Additions	
Revenues from student activities	\$ 1,764,542
Deduction	
Non-instructional expenses	<u>(1,688,498)</u>
Change in revenues over expenses	76,044
Due to school groups - beginning	<u>680,006</u>
Due to school groups - ending	<u><u>\$ 756,050</u></u>

See accompanying notes to financial statements.

FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

For the fiscal year ending June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Franklin County School District (District) is the basic level of government, which has financial accountability and control over all activities related to the public school education within the jurisdiction of the Franklin County School District. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. Board members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and have primary financial accountability for fiscal matters. The District is not included in any other governmental "reporting entity" as defined by GASB pronouncements. In accordance with GASB Standard 14, financial transactions of the following component unit are incorporated in the accompanying financial statements.

Franklin County School District Finance Corporation – The Franklin County School District resolved to authorize the establishment of the Franklin County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The board members of the Franklin County School District also comprise the Corporation's Board of Directors.

Basis of Presentation

District-wide Financial Statements:

The statement of Net Position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The District-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segments or governmental function is self-financing or draws from the general revenues of the District.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Fund Accounting:

The accounts of the District are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues and expenditures or expenses as appropriate. The various funds are summarized by type in the financial statements. The District uses the following funds:

Governmental Fund Types:

General Fund - The General Fund is the primary operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of grants from local, state and federal revenue sources that are legally restricted to expenditures for specified purposes. Project accounting is employed to maintain integrity for the various sources of funds. Federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report.

Construction Fund – The Construction Fund is used to account for all resources including proceeds from bond sales for the authorized acquisition and construction of capital facilities.

Capital Outlay Fund - The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives \$100 per the District's adjusted average daily attendance restricted for use in financing projects as identified in the District's facility plan.

Building Fund - The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, as applicable. Funds may be used for projects identified in the District's facility plan.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund Type

Food Service - The Food Service Fund is used to account for school food service activities, including the National School Lunch Program and the National School Breakfast Program, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). No amounts have been recorded for in-kind contribution of USDA commodities on the financial statements, except as required by the Single Audit Act as presented on the Schedule of Expenditures of Federal Awards. The aggregations of non-major funds are After School Program Fund.

Fiduciary Fund Type

The School Activity Funds are fiduciary funds used to account for student activity organizations in accordance with the Accounting Procedures for Kentucky School Activity Funds. Financial statements of groups and organizations associated with the school system but not originated within the District (e.g., Band Boosters, Parent-Teacher Associations, etc.) are not included within school activity funds.

Measurement Focus

The accounting and reporting treatment applied to a fund is determined by its measurement focus. The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds include a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds that are presented in the fund financial statements use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

Exchange and Non-exchange transactions - There are two types of transactions: exchange and non-exchange. The method of determining revenue recognition (i.e., accrual v. modified accrual) depends upon the type of exchange as well as source of revenue. Exchange transactions occur when each party receives essentially equal value. Non-exchange transactions occur when one party receives value without directly giving equal value in return.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Modified Accrual - Revenue from non-exchange transactions (e.g., grants, entitlements and donations) must be available to be recognized. These sources of revenue are recognized in the fiscal year in which all eligibility requirements have been satisfied. Under the modified accrual basis of accounting, revenues from exchange transactions are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For the District, "available" means within sixty days of June 30. Property tax revenue is recognized in the fiscal year for which the taxes are levied. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. Under the modified basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Accrual - Under the accrual basis of accounting, revenues are recorded when an exchange takes place. Expenses are recognized at the time they are incurred.

Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Kentucky Law, appropriations lapse at fiscal year end. Encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the proprietary fund type considers highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

Inventories

On the government-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as expenditures in the governmental fund types when purchased.

The food service fund uses the specific identification method and the general fund uses the first-in, first-out method.

Budget

The District is required by state law to adopt a budget annually. The budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP). Once the District approves the budget, it can be amended. Budget appropriations lapse at year-end.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances

The School Board has implemented GASB Statement 54 employing new terminology and classifications for fund balance items.

Non-spendable Fund Balance includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable. At June 30, 2013, the District did not have non-spendable fund balances.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2013, the District had \$2,656,079 as restricted capital projects in the Construction Fund for future construction. Also at June 30, 2013 the District had \$334,423 restricted in the Building Fund and \$659,621 restricted in Capital Outlay Fund as SFCC Escrow. The District restricted \$157,952 for Sick Leave.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had committed \$174,877 for Site Based CWFD in the General Fund June 30, 2013.

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrances of funds. Assigned fund balances also include (a) all remaining amounts (except for negative amounts balances) that are reported in governmental funds, other than the general fund, that are not classified as non-spendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for specific purposes. The district had \$57,973 assigned in the General Fund.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The District considers unrestricted amounts to have been spent when an expenditure is incurred for a purpose in which both restricted and unrestricted fund balances are available. Also, the District has established the order of assigned, committed, and restricted funds when an expenditure is incurred for purposes in which amounts in any of those unrestricted fund balance classifications could be used.

NOTE 2. SAFEGUARDING CASH AND CASH EQUIVALENTS

The District's cash and cash equivalents consist of amounts deposited in interest bearing accounts. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

NOTE 2. SAFEGUARDING CASH AND CASH EQUIVALENTS (CONTINUED)

At June 30, 2013, the carrying amount of the District's combined deposits (cash and cash equivalents) excluding school activity funds was \$11,350,299 and the combined bank balances totaled \$12,112,701. The bank balances were covered by the combination of FDIC insurance and collateral held by the District's agent in the District's name at June 30, 2013.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the county's deposits may not be returned. The District does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). All deposits meet current guidelines.

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

Category 1 Deposits that are insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2 Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 Deposits which are not collateralized or insured.

Based on these three levels of risk, all of the District's cash deposits are classified as Category 2.

Statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, municipal securities and repurchase agreements. The investment pool and repurchase agreements are considered nonparticipating contracts. The District has a repurchase agreement whereby daily bank deposits sweep to an interest bearing overnight account. Such agreements can be categorized according to three levels of risk. These three levels of risk are:

Category 1 Investments that are insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2 Investments that are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 Uninsured and unregistered investments held by the counter party, its trust or its agent, but not in the District's name.

The District's investment in repurchase agreements is classified by risk level as Category 2.

NOTE 3. PROPERTY TAXES

Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2013, to finance the General Fund operations were \$.596 per \$100 valuation for real property, \$.596 per \$100 valuation for business personal property and \$.51 per \$100 valuation for motor vehicles.

NOTE 4. RETIREMENT PLANS

Kentucky Teachers' Retirement System

The Franklin County School System contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of the KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE).

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601 or from the KTRS web site at <http://www.ktrs.ky.gov/>.

Funding policy - Contribution rates are established by KRS. Members are required to contribute 10.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members before July 1, 2008 and 14.105% of salaries for members after July, 1, 2008. The federal program for any salaries paid by that program pays the matching contributions of 14.105%.

Medical Insurance Plan

Plan description - In addition to the pension benefits described above, Kentucky Revised Statute 161.675 requires KTRS to provide access to post-employment healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Funding policy - In order to fund the post-employment healthcare benefit, three and one half percent (3.5%) of gross annual payroll of members before July 1, 2008 is contributed. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

The Franklin County Schools' total payroll for the year was \$34,678,079. The payroll for employees covered under KTRS was \$25,074,232. For the year ended June 30, 2013, the Commonwealth contributed \$3,133,813 to KTRS for the benefit of participating employees. The School districts contributions to KTRS for the year ending June 30, 2013 were \$210,739 which represents those employees covered by federal programs.

NOTE 4. RETIREMENT PLANS (CONTINUED)

County Employees Retirement System

Plan Description - The County Employees Retirement System (CERS) administered by the Kentucky Retirement System (KRS) is a cost-sharing multiple-employer defined benefit public employee retirement system. The plan provides benefit pension plan coverage for substantially all regular non-certified, full-time employees of each county and Public Schools, and any additional eligible local agencies electing to participate in the System. The participant has a fully vested interest after the completion of sixty months of service, twelve of which are current service. At a minimum, terminated employees are refunded their contributions with credited interest at 3% compounded annually through June 30, 1980, 6% thereafter through June 30, 1986, and 4% thereafter.

CERS through KRS provides for retirement, disability, death, and survivor and health benefits of its members. The KRS annual financial report and other required disclosure information is available by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by calling (800) 928-4646.

Funding Status and Progress - The Kentucky Retirement System administers CERS based upon employer matching contributions from each county, Public Schools and eligible local agencies electing to participate in the System. The Board of Trustees of Kentucky Retirement Systems determines contribution rates each biennium. The following are CERS non-hazardous contribution rates for the year ended June 30, 2013 member is 5% of their salaries. Participation after September 1, 2008 is at the rate of 6%. The District is required to contribute 19.55%.

The contribution requirement for CERS for the year ended June 30, 2013, was \$2,332,432 which consisted of \$1,834,988 from the District and \$497,444 from employees.

Additional information and historical trend information can be obtained from the Teachers Retirement System of Kentucky and the County Employee Retirement System of Kentucky.

NOTE 5. LIABILITY FOR COMPENSATED ABSENCES

Certified employees are awarded a maximum of 10 days of sick leave annually, based upon employment contract terms and District policy. Sick leave is accrued without limitation. Upon retirement from the school system, a certified employee receives from the District an amount equal to 30% of the value of accumulated sick leave at the current daily rate of pay. At June 30, 2013, the estimate for those employees with 27 or more years of service is \$383,101, in which \$157,952 is short-term and \$225,149 is long term, both recorded on the District-wide financial statements.

NOTE 6. CAPITAL ASSETS

Capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of Net Position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of Net Position and in the respective funds.

All capital assets are capitalized at cost or estimated historical cost and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure.

FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)

NOTE 6. CAPITAL ASSETS (CONTINUED)

Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Estimated Life in Years</u>
Buildings and Improvements	25-50
Land Improvements	20
Technology Equipment	5
Vehicles	5-10
Audio-Visual Equipment	15
Food Service Equipment	10-12
Furniture and Fixtures	7
Rolling Stock	15
Other	10

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FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)

NOTE 6. CAPITAL ASSETS (CONTINUED)

	June 30, 2012	Additions	Retirements	June 30, 2013
Governmental Assets				
Cost				
Land	\$ 1,541,736	\$ -	\$ -	\$ 1,541,736
Land Improvements	3,469,577	-	-	3,469,577
Buildings & Improvements	98,750,127	74,901	-	98,825,028
Construction in Progress	2,186,523	7,693,151	-	9,879,674
Technology Equipment	4,020,927	108,869	(139,945)	3,989,851
Other	1,693,127	102,821	(4,751)	1,791,197
Vehicles	6,670,730	600,544	(341,893)	6,929,381
Totals at historical cost	\$ 118,332,747	\$ 8,580,286	\$ (486,589)	\$ 126,426,444
Less: Accumulated Depreciation				
Land Improvements	\$ 2,113,625	\$ 118,980	\$ -	\$ 2,232,605
Land	852	212	-	1,064
Buildings & Improvements	27,928,545	2,316,426	-	30,244,971
Technology Equipment	3,028,658	348,312	(129,840)	3,247,130
Other	1,168,447	108,519	(4,751)	1,272,215
Vehicles	4,460,239	448,300	(338,418)	4,570,121
Total accumulated depreciation	38,700,366	3,340,749	(473,009)	41,568,106
NET	\$ 79,632,381	\$ 5,239,537	\$ (13,580)	\$ 84,858,338
Proprietary Assets				
Cost				
Technology Equipment	\$ 99,705	\$ -	\$ -	\$ 99,705
Vehicles	28,549	-	-	28,549
General Equipment	1,353,848	98,074	-	1,451,922
Totals at historical cost	\$ 1,482,102	\$ 98,074	\$ -	\$ 1,580,176
Less: Accumulated Depreciation				
Technology Equipment	\$ 93,654	\$ 3,149	\$ -	\$ 96,803
Vehicles	28,549	-	-	28,549
General Equipment	885,895	84,537	-	970,432
Total accumulated depreciation	\$ 1,008,098	\$ 87,686	\$ -	\$ 1,095,784
NET	\$ 474,003	\$ 87,686	\$ -	\$ 484,392

FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)

NOTE 7. GENERAL LONG-TERM DEBT AND LEASE OBLIGATIONS

The District is required to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Franklin County School District Finance Corporation to construct school facilities. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund in accordance with state law.

The maturity date, original amounts of the issue and interest rates are summarized below:

<u>Bond Issue</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	2012			2013
				<u>Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding Balance</u>
2003	8,550,000	5/1/2023	3.81%	\$ 5,800,000	\$ -	\$ 5,800,000	\$ -
2004A	8,505,000	3/1/2024	4.05%	5,770,000	-	5,770,000	-
2004B	16,855,000	4/1/2024	4.48%	11,590,000	-	10,805,000	785,000
2004R	2,120,000	3/1/2015	2.62%	80,000	-	25,000	55,000
2005	3,855,000	5/1/2025	4.29%	3,805,000	-	3,805,000	-
2005R	3,275,000	5/1/2017	3.60%	1,945,000	-	365,000	1,580,000
2007	11,220,000	5/1/2027	4.41%	10,500,000	-	160,000	10,340,000
2008R	1,690,000	7/1/2020	3.16%	1,490,000	-	140,000	1,350,000
2009R	1,810,000	1/1/2019	2.98%	1,295,000	-	175,000	1,120,000
2010	3,410,000	5/1/1930	2.65%	3,380,000	-	15,000	3,365,000
2010R	7,440,000	8/1/2021	2.63%	6,965,000	-	450,000	6,515,000
2012	10,050,000	6/1/2032	3.85%	10,050,000	-	80,000	9,970,000
2012R	5,750,000	5/1/2023	2.05%	-	5,750,000	80,000	5,670,000
2012BR	10,550,000	4/1/2024	4.00%	-	10,550,000	40,000	10,510,000
2013R	10,235,000	4/1/2025	3.00%	-	10,235,000	500,000	9,735,000
TOTAL				\$ 62,670,000	\$26,535,000	\$ 28,210,000	\$ 60,995,000

The District has entered into "participation agreements" with the School Facilities Commission. The Kentucky General Assembly created the Commission for the purpose of assisting local school districts in meeting school construction needs. The table on page 31 sets forth the amount to be paid by the District and the Commission for each year until maturity of all bonds issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding. The District is liable for all issues; however, School Facilities Construction Commission participates by contributing those portions of debt that are appropriated in the State's biennial budget.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District including amount to be paid by the Commission, at June 30, 2013 for debt service (principal and interest) are shown on the following page.

FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)

NOTE 7. GENERAL LONG-TERM DEBT AND LEASE OBLIGATIONS (CONTINUED)

**FRANKLIN COUNTY SCHOOL DISTRICTS
SCHEDULE OF DEBT PAYMENTS
AS OF JUNE 30, 2013**

YEAR	FRANKLIN COUNTY SCHOOL DISTRICT		SCHOOL FACILITIES CONSTRUCTION		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2014	\$ 2,301,417	\$ 1,586,605	\$ 953,583	\$ 277,359	\$ 5,118,964
2015	2,367,298	1,516,227	977,702	254,598	5,115,825
2016	2,422,832	1,459,648	967,168	230,943	5,080,591
2017	2,482,527	1,400,881	992,473	207,154	5,083,035
2018	2,545,799	1,335,791	939,201	182,578	5,003,369
2019	2,602,056	1,277,635	957,944	160,164	4,997,799
2020	2,664,216	1,216,870	765,784	137,102	4,783,972
2021	2,735,471	1,153,463	779,529	120,332	4,788,795
2022	2,790,687	1,087,252	794,313	103,241	4,775,493
2023	2,907,339	1,032,613	812,661	84,290	4,836,903
2024	3,015,929	965,542	754,071	60,453	4,795,995
2025	3,234,605	855,360	130,395	37,140	4,257,500
2026	3,401,946	749,250	133,054	32,756	4,317,006
2027	3,542,364	604,799	137,636	28,174	4,312,973
2028	2,423,528	436,693	101,472	23,236	2,984,929
2029	2,504,470	345,552	105,530	19,177	2,974,729
2030	2,590,564	250,518	119,436	14,956	2,975,474
2031	1,890,826	151,422	124,174	10,178	2,176,600
2032	1,894,721	75,789	130,279	5,211	2,106,000
TOTAL	\$ 50,318,595	\$ 17,501,910	\$ 10,676,405	\$ 1,989,042	\$ 80,485,952

The issue date, original amounts of the KISTA issue and interest rates are summarized below:

<u>KISTA Issue</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	2012			2013
				<u>Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding Balance</u>
2003	458,992	3/1/2013	2.00-3.90%	\$ 43,392	\$ -	\$ 43,392	\$ -
2004	441,927	3/1/2014	1.00-3.50%	81,284	-	39,988	41,296
2005	718,440	3/1/2015	3.00-3.625%	212,850	-	77,623	135,227
2006	629,202	3/1/2016	3.30-4.00%	254,286	-	66,177	188,109
2006B	477,939	3/1/2017	3.50-3.875%	248,221	-	49,297	198,924
2008	306,699	3/1/2018	3.00-3.76%	184,797	-	30,040	154,757
2009	100,935	3/1/2019	2.00-3.90%	69,884	-	9,606	60,278
2009C	265,503	3/1/2020	2.00-3.60%	208,609	-	24,846	183,763
2011	81,036	3/1/2021	1.00-4.00%	72,272	-	8,930	63,342
2012	409,204	3/1/2022	2.0-2.625%	409,204	-	44,506	364,698
2013	577,853	3/1/2023	2.00%	-	577,853	-	577,853
TOTAL				\$ 1,784,799	\$ 577,853	\$ 394,405	\$ 1,968,247

FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)

NOTE 7. GENERAL LONG-TERM DEBT AND LEASE OBLIGATIONS (CONTINUED)

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2013:

FRANKLIN COUNTY SCHOOLS SCHEDULE OF DEBT PAYMENTS AS OF JUNE 30, 2013			
YEAR	FRANKLIN COUNTY SCHOOL DISTRICT		TOTAL
	PRINCIPAL	INTEREST	
2014	\$ 410,971	\$ 55,302	\$ 466,273
2015	359,873	42,856	402,729
2016	279,973	31,795	311,768
2017	219,257	23,219	242,476
2018	173,630	16,949	190,579
2019	143,221	12,353	155,574
2020	134,978	8,839	143,817
2021	105,083	5,497	110,580
2022	88,990	3,061	92,051
2023	52,271	1,045	53,316
TOTAL	<u>\$ 1,968,247</u>	<u>\$ 200,916</u>	<u>\$ 2,169,163</u>

NOTE 8. OPERATING FUND TRANSFERS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	KETS offer of Assistance	\$ 87,178
Operating	After School Program	General	Staffing	47,953
Operating	Capital Outlay	Construction	Approved Projects	30,125
Operating	Building	Debt Service	Bond Payments	3,875,373
Total Transfers				<u>\$4,040,629</u>

NOTE 9. DEFICIT OPERATING BALANCES

There are no funds of the District that currently have a deficit fund balance/Net Position. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance/Net Position:

General Fund	(\$1,027,964)
Construction Fund	(\$7,724,354)
Food Service	(\$21,853)
After School Fund	(\$48,041)

NOTE 10. RISK MANAGEMENT

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated, including Workers' Compensation insurance.

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. The public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation fund are based on premium rates established by such funds in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving a ninety (90) day notice. In the event the Trust terminates coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the members on a pro rata basis.

NOTE 11. COMMITMENTS AND CONTINGENCIES

Litigation

The Board of Education is the defendant in lawsuits arising principally in the normal course of operations. The Board is covered by insurance against this type of liability. At this time, the administration is unable to make an evaluation regarding the likelihood of an unfavorable outcome or any possible financial implication to the Board of Education.

Grant Programs

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2013 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements.

NOTE 12. BUDGETARY DISCLOSURE REQUIREMENTS

Budgetary comparisons for the General Fund and Special Revenue Fund are disclosed as required supplementary information. "On behalf" contributions made by the Commonwealth of Kentucky were recorded in the District's records as revenues and expenditures. The purpose of the policy change was to conform to requirements of the GASB 34 reporting model. The District's budget appropriations did not reflect this change in policy.

FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)

NOTE 13. ON-BEHALF PAYMENTS

The District receives on-behalf payments from the State of Kentucky for items including retirement and insurance. The amount received for the fiscal year ended June 30, 2013 was \$10,468,733. On-behalf payments for the current fiscal year were as follows:

General Fund	\$	8,917,964
Debt Service		1,233,291
Food Service		172,591
After School Care		<u>144,887</u>
Total	\$	<u><u>10,468,733</u></u>

FRANKLIN COUNTY SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

For the year ended June 30, 2013

	Working budget			Variance with	Variance
	Original	Final		Final Budget	%
	Budget	Budget	Actual	Favorable	Favorable
				(Unfavorable)	(Unfavorable)
REVENUES					
From local sources					
Taxes					
Property taxes	\$ 13,910,868	\$ 13,910,868	\$ 13,947,178	\$ 36,310	0.26%
Motor vehicle taxes	1,495,694	1,495,694	1,606,366	110,672	7.40%
Utility taxes	2,900,000	2,900,000	2,781,129	(118,871)	-4.10%
Other taxes	743,230	743,230	705,634	(37,596)	-5.06%
Earnings on investments	15,000	15,000	14,938	(62)	-0.41%
Other local revenues	174,100	174,100	233,664	59,564	34.21%
State Sources					
SEEK	17,527,128	17,527,128	26,638,146	9,111,018	51.98%
Other	192,345	192,345	151,731	(40,614)	-21.12%
Federal-Indirect	43,000	43,000	97,497	54,497	126.74%
Other	5,000	5,000	1,442	(3,558)	-71.16%
Inter-fund transfers	-	-	47,953	47,953	100.00%
Beginning Balance	4,563,438	4,563,438	4,563,437	(1)	0.00%
Less: On Behalf Payments			(8,917,964)	(8,917,964)	
TOTAL REVENUES	41,569,803	41,569,803	41,871,151	301,348	0.72%
EXPENDITURES					
Instructional	21,108,734	21,137,572	27,939,890	(6,802,318)	-32.18%
Student services					
Student	1,907,942	1,908,198	2,333,122	(424,924)	-22.27%
Instructional staff	1,523,134	1,517,201	2,032,167	(514,966)	-33.94%
District administrative	1,124,455	1,124,455	1,040,162	84,293	7.50%
School administrative	3,229,005	3,188,398	3,838,345	(649,947)	-20.38%
Business	538,976	538,976	660,104	(121,128)	-22.47%
Plant operation and maintenance	4,305,709	4,305,709	4,907,230	(601,521)	-13.97%
Student transportation	3,440,953	3,440,953	3,832,127	(391,174)	-11.37%
Community Services	-	-	132,043	(132,043)	-100.00%
Debt service	576,903	576,903	451,274	125,629	21.78%
Inter-fund transfers	105,000	105,000	87,178	17,822	16.97%
Contingency	3,708,992	3,726,438	-	3,726,438	100.00%
Less: On-Behalf Payments			(8,917,964)	8,917,964	
TOTAL EXPENDITURES	41,569,803	41,569,803	38,335,678	3,234,125	7.78%
Excess (Deficit) of Revenues Over Expenditures	\$ -	\$ -	\$ 3,535,473	\$ 3,535,473	8.50%

NOTE: BUDGET INFORMATION IS DERIVED FROM THE DISTRICT'S ANNUAL FINANCIAL REPORT, WHICH MAY VARY FROM THE BASIC FINANCIAL STATEMENTS. THE VARIATIONS ARE PRIMARILY DUE TO PRESENTATION OF OTHER FINANCING SOURCES (USES) OF FUNDS AND TRANSFERS.

FRANKLIN COUNTY SCHOOL DISTRICT
SPECIAL FUND
BUDGETARY COMPARISON SCHEDULE

For the year ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)	Variance % Favorable (Unfavorable)
REVENUES					
From local sources					
Earnings on investments	\$ -	\$ -	\$ 561	\$ 561	100.00%
Other local revenues	83,070	83,370	287,108	203,738	244.38%
Intergovernmental - state	1,921,016	1,981,942	1,869,827	(112,115)	-5.66%
Intergovernmental - Federal	2,975,294	2,977,084	2,896,869	(80,215)	-2.69%
Inter-fund transfers	105,000	105,000	87,178	(17,822)	-16.97%
TOTAL REVENUES	<u>5,084,380</u>	<u>5,147,396</u>	<u>5,141,543</u>	<u>(5,853)</u>	<u>-0.11%</u>
EXPENDITURES					
Instructional	4,156,168	3,987,438	3,339,829	647,609	16.24%
Student services:					
Student	-	-	524,377	(524,377)	-100.00%
Instructional staff	543,641	745,453	828,032	(82,579)	-11.08%
Business	-	-	44,095	(44,095)	-100.00%
Plant operation and maintenance	-	-	116	(116)	-100.00%
Student transportation	-	2,800	3,949	(1,149)	-41.04%
Community services	384,571	411,705	401,145	10,560	2.56%
TOTAL EXPENDITURES	<u>5,084,380</u>	<u>5,147,396</u>	<u>5,141,543</u>	<u>5,853</u>	<u>0.11%</u>
Excess (Deficit) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>0.00%</u>

NOTE: BUDGET INFORMATION IS DERIVED FROM THE DISTRICT'S ANNUAL FINANCIAL REPORT, WHICH MAY VARY FROM THE BASIC FINANCIAL STATEMENTS. THE VARIATIONS ARE PRIMARILY DUE TO PRESENTATION OF OTHER FINANCING SOURCES (USES) OF FUNDS AND TRANSFERS.

FRANKLIN COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

As of June 30, 2013

	<u>Building Fund</u>	<u>Capital Outlay Fund</u>	<u>Total Non-Major Funds</u>
ASSETS			
Cash and cash equivalents	\$ 334,423	\$ 659,621	\$ 994,044
Total assets	<u>\$ 334,423</u>	<u>\$ 659,621</u>	<u>\$ 994,044</u>
LIABILITIES AND FUND BALANCES			
Fund Balances			
Restricted:			
Restricted for SFCC Escrow	\$ 209,625	\$ 191,758	\$ 401,383
Restricted for SFCC Escrow Current Year	124,798	467,863	592,661
Total fund balances	<u>\$ 334,423</u>	<u>\$ 659,621</u>	<u>\$ 994,044</u>
Total liabilities and fund balances	<u>\$ 334,423</u>	<u>\$ 659,621</u>	<u>\$ 994,044</u>

FRANKLIN COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS

For the year ended June 30, 2013

	Capital Outlay Fund	Building Fund	Debt Service Fund	Total Non-major Govt. Funds
Revenues				
From local sources				
Property taxes	\$ -	\$ 3,361,297	\$ -	\$ 3,361,297
State sources				
SEEK	549,334	638,874	-	1,188,208
On Behalf Payments	-	-	1,233,292	1,233,292
Total revenues	<u>549,334</u>	<u>4,000,171</u>	<u>1,233,292</u>	<u>5,782,797</u>
Expenditures				
Support services				
Plant operation and maintenance	51,346	-	-	51,346
Debt service	-	-	5,108,665	5,108,665
Total expenditures	<u>51,346</u>	<u>-</u>	<u>5,108,665</u>	<u>5,160,011</u>
Excess (deficit) of revenues over expenditures	<u>497,988</u>	<u>4,000,171</u>	<u>(3,875,373)</u>	<u>622,786</u>
Other Financing Sources (Uses)				
Operating transfers in	-	-	3,875,373	3,875,373
Operating transfers out	(30,125)	(3,875,373)	-	(3,905,498)
Total other financing sources (uses)	<u>(30,125)</u>	<u>(3,875,373)</u>	<u>3,875,373</u>	<u>(30,125)</u>
Net change in fund balances	<u>467,863</u>	<u>124,798</u>	<u>-</u>	<u>592,661</u>
Fund balance, July 1, 2012	<u>191,758</u>	<u>209,625</u>	<u>-</u>	<u>401,383</u>
Fund balance, June 30, 2013	<u>\$ 659,621</u>	<u>\$ 334,423</u>	<u>\$ -</u>	<u>\$ 994,044</u>

FRANKLIN COUNTY SCHOOL DISTRICT
FRANKLIN COUNTY HIGH SCHOOL ACTIVITY FUND
ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
For the year ended June 30, 2013

Individual Funds	Fund Balance June 30, 2012	Receipts	Disburse- ments	Transfers In / (Out)	Fund Balance June 30, 2013
Academic Club	\$ 4	\$ 518	\$ (522)	\$ 252	\$ 252
Agenda Books	-	3,750	(4,426)	676	-
AP Bio	304	-	-	-	304
AP Exams	13,378	26,854	(26,669)	-	13,563
AP US History	4	-	-	(4)	-
AP Gov	-	420	-	-	420
Archery	153	410	(407)	-	156
Art Club	105	1,758	(1,179)	-	684
Art Fund	1,060	610	(105)	211	1,776
Athletic	8,584	115,977	(123,901)	5,946	6,606
Band Camp	860	-	(707)	(125)	28
Bass club	25	3,337	(3,268)	-	94
Beta Clb	135	15,931	(15,637)	413	842
Book Club	45	-	-	(45)	-
Boys Basketball Camp	1,097	6,885	(3,526)	-	4,456
Boys Tennis	34	260	-	-	294
Broadcast Journalist	79	-	-	(79)	-
Cheerleaders	6,842	12,342	(12,841)	326	6,669
Sophomore Class	-	55	-	35	90
Class of 2012	1,297	30	-	(1,327)	-
Coke Sales	288	1,465	(1,670)	160	243
Cross Counrty Booster	-	17,377	-	-	17,377
Counselor Fund	2,269	16	(392)	-	1,893
Dance Team	318	238	(268)	220	508
DECA	990	21,876	(20,988)	(734)	1,144
Donnelly	211	-	-	(211)	-
Drama	10,961	11,264	(15,613)	875	7,487
English Dept	1,912	1,832	(2,774)	143	1,113
Family Resources	14	-	-	(14)	-
FB Bowls	882	-	(1,048)	180	14
FB Playoffs	-	26,986	(16,123)	(10,863)	-
FBLA	114	-	-	(114)	-
FCA	2	-	-	(2)	-
FCCLA	260	3,888	(3,886)	10	272
FEA	1,193	-	-	-	1,193
FFA	189	9,197	(7,405)	88	2,069
Field Trips	232	10	(447)	230	25
Film Club	174	-	-	(174)	-
Floral Design Fund	20	4	-	(24)	-
Flyer Athletic Club	149	-	-	-	149

FRANKLIN COUNTY SCHOOL DISTRICT
FRANKLIN COUNTY HIGH SCHOOL ACTIVITY FUND
ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
For the year ended June 30, 2013

Individual Funds	Fund Balance June 30, 2012	Receipts	Disburse- ments	Transfers In / (Out)	Fund Balance June 30, 2013
Flyerette Tennis	\$ 103	\$ 3,034	\$ (3,562)	\$ 551	\$ 126
Football Quarterback	100	-	(1,220)	1,120	-
Fort Lang Field Trip	-	84	-	566	650
French Honor Society	49	-	-	(49)	-
FX Freshmen	50	-	-	(50)	-
General	1	4,283	(4,292)	298	290
Girls Basketball Camp	-	1,200	(461)	10	749
Girls Golf Club	-	700	(118)	70	652
Greenhouse	88	504	-	(63)	529
Guidance Office JCPS	113	-	-	-	113
Interest	87	211	(121)	-	177
Jenn Penn Memorial	500	-	-	-	500
Journalism	361	-	-	(361)	-
Junior Class	30	594	(182)	-	442
Key Club	1,533	4,144	(4,789)	(144)	744
KRA Staples	64	-	-	(64)	-
Library Fund	162	327	(141)	45	393
Lost & Stolen Textbooks	162	-	-	(100)	62
Math Dept	204	1,344	(738)	(490)	320
Miss FCHS Pageant	-	820	-	(820)	-
Multi Cultural Club	438	-	-	(438)	-
National Honor Society	96	790	(973)	361	274
National Deca Sponsor	-	3,887	(4,696)	809	-
New Greenhouse	15,958	10,000	(25,958)	-	-
Parking	556	2,903	(2,169)	(58)	1,232
Pearce Scholarship	700	-	(400)	-	300
Pep Club	265	-	-	(75)	190
Plato Headphones	19	-	-	(19)	-
Postage	10	73	(112)	60	31
Project Graduation	2,172	-	(455)	(1,717)	-
PSAT	925	1,037	(900)	-	1,062
Recyclables	189	-	-	(189)	-
Rewards Picnic	1,235	-	(434)	(801)	-
ROTC Cadet TI	71	4,482	(4,565)	12	-
ROTC Fundraiser	1,667	12,431	(14,540)	488	46
RTI/Novel Stars	17	-	-	(17)	-
S.T.A.N.D.	31	-	-	(31)	-
SADD	43	-	-	(43)	-
Science Dept	52	-	-	-	52
Shining Star Fund	7,004	2,248	(400)	(800)	8,052

FRANKLIN COUNTY SCHOOL DISTRICT
FRANKLIN COUNTY HIGH SCHOOL ACTIVITY FUND
ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
For the year ended June 30, 2013

Individual Funds	Fund Balance June 30, 2012	Receipts	Disburse- ments	Transfers In / (Out)	Fund Balance June 30, 2013
Soccer Camp	\$ 400	\$ 75	\$ (1,540)	\$ 1,630	\$ 565
Social Committee	124	469	(383)	-	210
Social Studies	-	3,282	(3,220)	105	167
Soar	-	-	-	2,913	2,913
Swimming Team	-	50	(50)	-	-
Softball Showcase	2,254	5,038	(3,979)	300	3,613
Class of 2013	34	17,917	(19,420)	2,813	1,344
Spanish Club	21	-	-	(21)	-
Spanish Dept	458	-	-	(458)	-
Spanish Honor Society	383	-	-	(383)	-
Spanish Sales	60	-	-	(60)	-
State Textbooks	277	28,755	(27,383)	(1,076)	573
Step Team	78	-	-	(78)	-
Stephanie Decker Fund	-	100	(100)	-	-
Student Council	357	1,761	(1,906)	-	212
Teachers Lounge	20	468	(750)	651	389
Tennis Court Beautifi	1,512	6	(56)	2	1,464
Toyota Classic	82	-	-	-	82
Track	453	2,825	(1,733)	-	1,545
Trainer	-	64	-	(40)	24
Tri M Honor Society	12	-	-	(12)	-
Vernissage	4,512	1,534	(635)	(70)	5,341
Workbook Business	188	-	-	(188)	-
Y Club	57	8,767	(8,820)	-	4
Yearbook Ads	32,029	14,705	(21,539)	-	25,195
Young Democrats	105	-	-	(105)	-
Young Republicans	33	-	-	(33)	-
Total	<u>\$ 132,688</u>	<u>\$ 424,202</u>	<u>\$ (426,542)</u>	<u>\$ -</u>	<u>\$ 130,348</u>

FRANKLIN COUNTY SCHOOL DISTRICT
WESTERN HILLS HIGH SCHOOL ACTIVITY FUND
ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
For the year ended June 30, 2013

Individual Funds	Fund Balance June 30, 2012	Receipts	Disburse- ments	Transfers In / (Out)	Fund Balance June 30, 2013
General	\$ 1,548	\$ 956	\$ (4,744)	\$ 3,303	\$ 1,063
Agendas	77	8,900	(1,458)	(6,824)	695
Building	54	227	(2,892)	3,000	389
Coke Students	2,482	747	(2,493)	-	736
Coke Teachers Lounge	119	847	(752)	367	581
Interest	210	308	-	(64)	454
Lost Textbook	1,837	484	(1,029)	(1,200)	92
Parking Fees	1,150	1,850	(1,149)	(1,800)	51
Principals Special	431	3,174	(5,733)	2,265	137
Textbook Rental	2,048	17,962	(19,503)	-	507
Contingency	477	-	-	-	477
Students Needs	14	-	-	-	14
Student Incentives	58	1,710	(1,682)	-	86
Sr Legacy	945	-	-	298	1,243
Class of 2007	100	-	-	(100)	-
Class of 2009	198	-	-	(198)	-
Class of 2010	1,729	-	(1,729)	-	-
Class of 2011	1,336	-	(1,336)	-	-
Class of 2012	2,565	-	-	-	2,565
Class of 2013	2,477	11,130	(13,486)	3,778	3,899
Class of 2014	278	-	-	-	278
Class of 2015	350	-	-	-	350
Athletic Budget	7,152	61,561	(54,602)	(1,411)	12,700
Athletic Admin Special	2,047	-	-	-	2,047
Boys Golf Special	610	6,228	(1,182)	-	5,656
Soccer Field Maint	1,846	-	(177)	-	1,669
Baseball Special	7,423	20,193	(17,707)	173	10,082
BBK Special	6,560	12,270	(15,431)	(285)	3,114
Cheerleaders	3,624	12,221	(8,646)	361	7,560
Dance Team	51	-	-	-	51
Football Special	6,640	37,374	(37,902)	(670)	5,442
Girls Golf Special	971	1,820	(2,481)	-	310
Boys Soccer	3,517	10,360	(7,496)	(27)	6,354
GBK Special	6,127	11,188	(11,698)	500	6,117
Softball	14,351	16,111	(22,217)	1,060	9,305
Swim Special	175	911	(950)	-	136
Track Special	2,552	10,651	(5,223)	-	7,980
Volleyball Special	2,757	9,035	(5,779)	(720)	5,293
Cross Country Special	1,048	693	(471)	-	1,270
Tennis Special	2,069	1,947	(2,852)	(38)	1,126

FRANKLIN COUNTY SCHOOL DISTRICT
WESTERN HILLS HIGH SCHOOL ACTIVITY FUND
ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
For the year ended June 30, 2013

Individual Funds	Fund Balance June 30, 2012	Receipts	Disburse- ments	Transfers In / (Out)	Fund Balance June 30, 2013
Wrestling Special	\$ 3,195	\$ 2,121	\$ (6,246)	\$ 1,530	\$ 600
Girls Soccer	756	1,290	(1,446)	(41)	559
Sports Scholarships	585	-	35	-	620
Athletic Programs	1,276	1,902	(1,015)	-	2,163
GBK Special	186	951	(600)	(100)	437
BBK Special Coach	-	1,446	(979)	-	467
Football Special	1,231	1,085	(1,065)	(330)	921
Trista Shoemaker Sc	3,923	1,180	(1,000)	-	4,103
Archery	584	9,481	(5,162)	-	4,903
Academic Club	379	3,148	(2,182)	(605)	740
Art Club	37	305	(285)	(35)	22
Beta Club	3,209	17,099	(17,427)	(35)	2,846
Y-Club	163	7,141	(7,320)	16	-
Cultural Diversity	42	-	-	-	42
Drama Club	9,016	1,762	(2,413)	3,257	11,622
Ecology Club	244	25	-	-	269
FCA	106	-	(150)	44	-
FFA	1,026	22,088	(16,225)	(2,941)	3,948
FCCLA	1,983	12,934	(11,570)	(517)	2,830
French Honor Society	116	644	(979)	265	46
Jr. Civitan	2	-	-	-	2
GEMS	66	-	-	-	66
National Honor Society	378	820	(120)	-	1,078
Pep Club	315	1,840	(1,434)	(44)	677
SADD	112	-	-	-	112
STLP	15	-	-	(15)	-
Spanish Honor Society	369	705	(632)	-	442
Student Council	1,784	-	(67)	(35)	1,682
Jr. Historians	195	80	(40)	-	235
Book Club	84	6	(80)	(3)	7
Wolverine Warehouse	988	460	(1,371)	500	577
Future Educators	189	28	(225)	29	21
Film Club	24	-	-	500	524
DECA	551	1,396	(1,191)	(15)	741
Young Republicans	86	20	-	(38)	68
Young Democrats	29	90	-	-	119
PTO	879	599	(170)	(610)	698
Poetry Out Loud	2,277	1,301	(774)	-	2,804
PTO Technology	38	-	-	-	38
Advance KY	109	-	-	-	109

FRANKLIN COUNTY SCHOOL DISTRICT
WESTERN HILLS HIGH SCHOOL ACTIVITY FUND
ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
For the year ended June 30, 2013

Individual Funds	Fund Balance June 30, 2012	Receipts	Disburse- ments	Transfers In / (Out)	Fund Balance June 30, 2013
Key Club	\$ 258	\$ 340	\$ (117)	\$ -	\$ 481
Mu Alpha Theta	5	1,775	(960)	(35)	785
Gay/Straight Alliance	(16)	144	-	(38)	90
Band	2	-	-	-	2
Business Dept	8	-	-	-	8
Chorus	8	-	-	-	8
Technology	500	-	(692)	610	418
English Dept	1,011	-	(217)	(500)	294
FAMCO Fees	971	-	(842)	-	129
Foreign Language	38	-	-	(3)	35
Humanities	24	-	-	-	24
AG Dept	1,253	64	(600)	310	1,027
Journalism-Print	376	-	-	-	376
Library	344	203	(298)	(20)	229
Math Dept	284	-	-	-	284
PE Dept	15	-	-	-	15
Resource Spec Ed	6	-	-	-	6
Science Dept	208	-	-	-	208
Social Studies	46	-	-	-	46
VO-AG	138	250	-	-	388
Health Sciences	4	-	-	-	4
Horticulture	7,928	7,831	(9,134)	2,132	8,757
JROTC	108	-	-	-	108
Outdoor Classroom	200	-	-	-	200
Counselors	2,869	27,268	(26,710)	-	3,427
Counselor Special	456	350	(575)	-	231
Learning Center	2,599	27,255	(6,359)	-	23,495
Learning Center Pay	14	-	-	-	14
Pageant	-	7,041	(1,282)	(5,759)	-
Yearbook	3,694	10,693	(6,442)	(67)	7,878
Landscape Grant	59	-	-	-	59
Courtyard Project	1,239	-	-	(1,239)	-
Writing Club	-	5	-	-	5
CPR/HOSA	-	1,823	(1,703)	35	155
Memorial Garden	-	425	-	2,029	2,454
King's Cause	-	20	-	-	20
Total	<u>\$ 151,199</u>	<u>\$ 438,292</u>	<u>\$ (390,864)</u>	<u>\$ -</u>	<u>\$ 198,627</u>

FRANKLIN COUNTY SCHOOL DISTRICT
ELEMENTARY AND MIDDLE SCHOOLS ACTIVITY FUNDS
ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
For the year ended June 30, 2013

	<u>Fund Balance</u> <u>June 30, 2012</u>	<u>Receipts</u>	<u>Disburse-</u> <u>ments</u>	<u>Fund Balance</u> <u>June 30, 2013</u>
Franklin County Elementary Schools				
Bridgeport	\$ 18,818	\$ 55,689	\$ 53,473	\$ 21,034
Collins Lane	9,302	52,526	52,741	9,087
Elkhorn	12,067	31,160	31,973	11,254
Hearn	22,884	52,884	43,401	32,367
Peaks Mill	10,057	18,319	18,073	10,303
Westridge	29,120	65,492	63,628	30,984
Franklin County Middle Schools				
Bondurant	149,184	351,533	351,260	149,457
Elkhorn	62,202	149,260	140,901	70,561
Early Learning Village - East	18,341	80,201	80,428	18,114
Franklin Career and Technical Center	21,637	44,890	35,214	31,313
FFA Escrow Account	42,507	94	-	42,601
Total	<u><u>\$ 396,119</u></u>	<u><u>\$ 902,048</u></u>	<u><u>\$ 871,092</u></u>	<u><u>\$ 427,075</u></u>

FRANKLIN COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

<u>Program Title</u>	<u>Grant or MUNIS #</u>	<u>Federal CFDA #</u>	<u>Federal Expenditures</u>	<u>Total By CFDA #</u>
U. S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Kentucky Department of Education:</i>				
<u>Child Nutrition Cluster</u>				
School Breakfast Program	2030	10.553	\$ 371,500	
National School Lunch Program	2050	10.555	1,305,330	
Summer Food Service program for Children	2090	10.559	44,067	\$1,720,897 **
<i>Passed Through Kentucky Department of Agriculture:</i>				
<u>Food Distribution Cluster</u>				
Commodity Supplemental Food Program	2010	10.565	165,296	165,296
TOTAL U.S. DEPARTMENT OF AGRICULTURE				1,886,193
U. S. DEPARTMENT OF EDUCATION				
<i>Passed Through Kentucky Department of Education:</i>				
<u>Title I Cluster</u>				
Title I: Part A - Improving Basic Programs	3102	84.010	368,713	
Title I: Part A - Improving Basic Programs	3103	84.010	829,901	
Title I - Prof Dev - Dist Improvement	3102D	84.010	25,457	
Title I - Prof Dev - Parent Involvement	3102M	84.010	15,875	
Title I - School Improvement (Part A)	3201	84.010	71	
Title I - School Improvement (Part A)	3202	84.010	50,339	
ARRA - Title I - LEA	3919	84.389A	4,331	1,294,687 **
Title I - Neglected & Delinquent Children	3132	84.013	6,000	
Title I - Neglected & Delinquent Children	3133	84.013	5,370	11,370
<u>Special Education Cluster</u>				
IDEA B - BASIC	3371	84.027	331,852	
IDEA B - BASIC	3372	84.027	899,389	
IDEA B - BASIC	3373	84.027	466	
IDEA B - Private Schools	3371P	84.027	11,359	
IDEA B - Private Schools	3372P	84.027	1,716	
IDEA P - Preschool	3431	84.173	28,722	
IDEA P - Preschool	3432	84.173	43,899	1,317,403 **
Career and Technical Education (Perkins)	3482	84.048	12,053	
Career and Technical Education (Perkins)	3483	84.048	48,019	
Service Projects - Project Respect	3783	84.128	3,916	
Perkins Reserve Grant Fund	3631	84.243	1,253	
Perkins Reserve Grant Fund	3632	84.243	972	
Perkins Reserve Grant Fund	3633	84.243	65,329	67,554
<u>Education Technology State Grants Cluster</u>				
Title II, Part D - Education Technology	4251	84.318	1,477	
Title III - Limited English Proficiency	3453	84.365	22,820	22,820
Title II: Part A - High Quality Teachers & Principals	4012	84.367	98,136	
Title II: Part A - High Quality Teachers & Principals	4013	84.367	110,165	208,301 **

See accompanying Notes to Schedule of Expenditures of Federal Awards

FRANKLIN COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

<u>Program Title</u>	<u>Grant or MUNIS #</u>	<u>Federal CFDA #</u>	<u>Federal Expenditures</u>	<u>Total By CFDA #</u>
U. S. DEPARTMENT OF EDUCATION (CONTINUED)				
Education Jobs Fund	4411	84.410	7,543	7,543
Investing in Innovation	4913	84.411	1,207	1,207
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>2,930,885</u>
U.S. DEPARTMENT OF DEFENSE				
<i>Passed through KY Dept of Military Affairs</i>				
Air Force Junior ROTC	n/a	12.401	63,247	63,247
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u><u>\$4,880,325</u></u>

*Tested as major program or cluster ***

FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2013

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal activity of Franklin County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – FOOD DISTRIBUTION PROGRAM

Non-monetary assistance is reported in the Schedule at the fair value of the commodities received. For the 2013 NSLP fiscal year ending September 30, 2013, the Franklin County School District was awarded \$179,137 in commodities. Through June 30, 2013, \$165,296 had been received with \$148,536 passed through the U.S. Department of Agriculture and \$16,759 passed through the U.S. Department of Defense.

FRANKLIN COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2013

Section 1. Summary of Auditor's Findings

Financial statements:

Type of auditor's report issued: unqualified

Internal control over financial reporting Yes No

- Material weaknesses identified? X
- Significant deficiencies identified that are not considered to be material weaknesses? X None Reported
- Noncompliance material to financial statements noted? X

Federal Awards:

Internal control over major programs Yes No

- Material weakness identified? X
- Significant deficiencies identified that are not considered to be material weaknesses? X None Reported

Type of auditor's report issued on compliance for major programs: unqualified

Yes No

- Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of Circular A-133? X

Identification of major programs:

CFDA Numbers

10.553, 10.555, 10.559
84.010, 84.389A
84.027, 84.173
84.367

Name of Federal Program or Cluster

Child Nutrition Cluster
Title I Cluster
Special Education Cluster
Title II- High Quality Teachers & Principals

- Dollar threshold used to distinguish between type A and type B programs \$300,000
- Auditee qualified as low-risk auditee? Yes X No

Section 2. Financial Statement Findings

Current Year Findings: No matters reported

Prior Year Findings: 2012-01: Purchase orders (District Wide) (CORRECTED)

Section 3. Federal Awards Findings and Questionable Costs

Current Year Findings: No matters were reported

Prior Year Findings: No matters were reported

FRANKLIN COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2013

Prior Year Comments:

2012-01: Purchase orders (District Wide) (CORRECTED)

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Members of the Board
Franklin County School District
Frankfort, Kentucky

**INDEPENDENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Office of Management and Budget Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organization*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Franklin County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Franklin County School District's basic financial statements, and have issued our report thereon dated November 13, 2013.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Franklin County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Franklin County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Franklin County School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weakness may exist that have not been identified.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Franklin County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

A handwritten signature in dark ink, appearing to read "Ross and Company", is written over a horizontal line.

Ross and Company, PLLC
November 13, 2013

ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY 40299-1837
Telephone (502) 499-9088
Facsimile (502) 499-9132

Members of the Board
Franklin County School District
Frankfort, Kentucky

**INDEPENDENT REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Report on Compliance for Each Major Federal Program

We have audited Franklin County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of Franklin County School District's major federal programs for the year ended June 30, 2013. Franklin County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Franklin County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Office of Management and Budget Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Franklin County School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Franklin County School District's compliance.

INDEPENDENT REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Opinion on Each Major Federal Program

In our opinion, Franklin County School District complied, in all material respects, with the compliance requirements referred to above that could have direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report Internal Control over Compliance

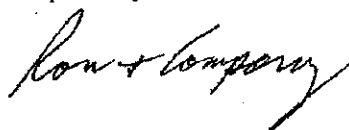
Management of Franklin County School District is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Franklin County School District's internal control over compliance with the types requirements that could have a direct and material effect on a major federal program to determine our auditing procedures that are appropriate in the circumstance for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Franklin County School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control that we consider material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of the internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,



Ross & Company, PLLC
November 13, 2013

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Franklin County School District
Frankfort, Kentucky

RECOMMENDATIONS AND COMMENTS TO MANAGEMENT

In planning and performing our audit, we considered Franklin County School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Franklin County School District's internal control over financial reporting.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the District's internal control in our report dated November 13, 2013. This letter does not affect our report dated November 13, 2013, on the financial statements of the Franklin County School District. The conditions observed are as follows:

Current Year Findings –

2013-01: Deposits over \$100, (Redbook)

Statement of Condition: Receipts collected over \$100 were not deposited timely.

Criteria for Condition: All money collected should be deposited on a daily basis. In the event that less than \$100 is on hand to deposit it may be held in a secure location per Accounting Procedures for Kentucky School Activity Funds, "Redbook."

Cause of the Condition: Deposits were being created with amounts over \$100, however, they were held before being delivered to the bank.

Effect of the Condition: Money is not deposited in a timely manner.

Recommendation for

Correction: Deposits over \$100 should be delivered to the bank on the same day as the deposit is created.

Response or Additional Information: This comment is repeated for the district from the 2012 audit. Significant efforts have been taken which consist of training and internal audit by the Finance officer with the bookkeepers on this matter. It appears the number of occurrences is greatly reduced for the 2013 audit. Continued training and internal audit will continue on these matters to eliminate this condition.

FRANKLIN COUNTY SCHOOL DISTRICT
RECOMMENDATION AND COMMENTS TO MANAGEMENT
JUNE 30, 2013
(Continued)

2013-02: Ticket Sales (Redbook)

Statement of Condition: Ticket Sales were not turned in to the Treasurer on the next working day following the event.

Criteria for Condition: Ticket sales money should be deposited in the school safe or night depository if collected after business hours per Accounting Procedures for Kentucky School Activity Funds, "Redbook."

Cause of the Condition: Ticket Sales were not deposited the next day after an event. Two separate events days apart were recorded on the same F-SA-1 report.

Effect of the Condition: Money is not deposited in a timely manner.

Recommendation for Correction: Ticket sales should be deposited the day after the event.

Response or Additional Information: This comment is repeated for the district from the 2012 audit. Significant efforts have been taken which consist of training and internal audit by the Finance officer with the bookkeepers on this matter. It appears the number of occurrences is greatly reduced for the 2013 audit. Continued training and internal audit will continue on these matters to eliminate this condition.

2013-03: Handling Cash, (Redbook)

Statement of Condition: Money collected by a teacher/sponsor was not given to the school treasurer on the day of collection.

Criteria for Condition: All money collected by a teacher/sponsor shall be given to the school treasurer on the day of collection per Accounting Procedures for Kentucky School Activity Funds, "Redbook."

Cause of the Condition: It appeared teachers/sponsors held money/checks for a length of time before submitting them to the school treasurer.

Effect of the Condition: Money is not deposited in a timely manner.

Recommendation for Correction: Stress to teachers/sponsors that all money should be delivered to school treasurer on date of collection.

Response or Additional Information: This comment is repeated for the district from the 2012 audit. Significant efforts have been taken which consist of training and internal audit by the Finance officer with the bookkeepers on this matter. It appears the number of occurrences is greatly reduced for the 2013 audit. Continued training and internal audit will continue on these matters to eliminate this condition.

FRANKLIN COUNTY SCHOOL DISTRICT
RECOMMENDATION AND COMMENTS TO MANAGEMENT
JUNE 30, 2013
(Continued)

2013-04: Multiple Receipt Forms, (Redbook)

Statement of Condition: Multiple receipt forms with student's signature were not used properly when collecting money.

Criteria for Condition: Teachers/sponsors/students shall use Multiple Receipt Forms or pre-numbered receipts when collecting money per Accounting Procedures for Kentucky School Activity Funds, "Redbook."

Cause of the Condition: Multiple Receipt Forms were missing when submitted to school treasurer.

Effect of the Condition: Limited documentation of money received from students/parents/teachers.

Recommendation for

Correction: Multiple receipt forms with student's signature should be utilized when teachers/sponsors are collecting money.

Response or Additional Information: This comment is repeated for the district from the 2012 audit. Significant efforts have been taken which consist of training and internal audit by the Finance officer with the bookkeepers on this matter. It appears the number of occurrences is greatly reduced for the 2013 audit. Continued training and internal audit (min 2 times per year) will continue on these matters to eliminate this condition.

2013-05: Use of Purchase Orders, (Redbook)

Statement of Condition: Purchase orders were not used for every purchase.

Criteria for Condition: A Purchase Order shall be prepared and approved by the sponsor and principal before the payment is obligated per Accounting Procedures for Kentucky School Activity Funds, "Redbook."

Cause of the Condition: Purchase orders were not utilized for every purchase.

Effect of the Condition: Purchases being made without proper prior approval.

Recommendation for

Correction: A purchase order shall be prepared and approved before all purchases.

Response or Additional Information: This comment is repeated for the district from the 2012 audit. Significant efforts have been taken which consist of training and internal audit by the Finance officer with the bookkeepers on this matter. It appears the number of occurrences is greatly reduced for the 2013 audit. Continued training and internal audit (min 2 times per year) will continue on these matters to eliminate this condition.

FRANKLIN COUNTY SCHOOL DISTRICT
RECOMMENDATION AND COMMENTS TO MANAGEMENT
JUNE 30, 2013
(Continued)

2013-06: Lack of Approval by Superintendent (Activity Funds)

Statement of Condition: Activity Fund purchase orders over \$1,000 were not approved by the Superintendent.

Criteria for Condition: All activity fund purchase orders over \$1,000 should be approved by the Superintendent per Franklin County School Board policy.

Cause of the Condition: POs over \$1,000 were not submitted to the Superintendent for approval.

Effect of the Condition: Purchases lacked proper approval and could result in disallowed expenditures.

Recommendation for

Correction: All activity fund purchase orders over \$1,000 should be submitted to superintendent for approval prior to purchase.

Response or Additional Information: Significant efforts have been taken which consist of training and internal audit by the Finance officer with the bookkeepers on this matter. Continued training and internal audit (min 2 times per year) will continue on these matters to eliminate this condition.

2013-07 Insufficient Funds Recording (Redbook)

Statement of Condition: Returned checks were not properly recorded in the books

Criteria for Condition: Checks returned for insufficient funds shall be re-deposited on a separate deposit slip indicating negative and positive entries in order to prevent receipts from being overstated. Documentation relating to returned checks shall be filed with the bank statements for audit trail per Accounting Procedures for Kentucky School Activity Funds, "Redbook."

Cause of the Condition: A returned check was not recorded in the system, nor was the redeposit of the check.

Effect of the Condition: Since both sides of the transaction were not recorded, there was no effect on the end financials, however when tracing back deposits and disbursements to the ledger, amounts were overstated.

Recommendation for

Correction: Insufficient fund checks should be recorded once at time of return and time of redeposit.

Response or Additional Information: Future returned checks in the Activity funds will be processed per Redbook Guidelines.

FRANKLIN COUNTY SCHOOL DISTRICT
RECOMMENDATION AND COMMENTS TO MANAGEMENT
JUNE 30, 2013
(Continued)

2013-08: Issuance of Receipts, (Redbook)

Statement of Condition: Money is not recorded and a receipt issued on the date of collection.

Criteria for Condition: Pre-numbered receipts shall be issued any time money is received per Accounting Procedures for Kentucky School Activity Funds, "Redbook."

Cause of the Condition: Receipts were not recorded on date of collection.

Effect of the Condition: Receipts are not being recorded timely.

Recommendation for

Correction: Receipts should be issued at the time of receipt with amount and the name of the person the money was received from to ensure receipts are recorded timely.

Response or Additional Information: This condition is reoccurring from 2012. However it only occurred in one school for 2013. The District continues to engage in training and internal audit activities to increase Redbook compliance going forward and this condition will continue to be stressed and eliminated.

2013-09: Child Care Expense Paid Out of Activity Funds (Activity Funds)

Statement of Condition: A background check and Director fee for the Child Care program was paid for out of activity funds.

Criteria for Condition: All Child Care expenditures should be paid out of Fund 52 at the District level.

Cause of the Condition: Activity funds were used for the expenditures instead of District Funds.

Effect of the Condition: Disallowed expenditures were paid for out of activity funds.

Recommendation for

Correction: Any Child Care expenditures should be submitted to the District for proper payment.

Response or Additional Information: These expenditures although infrequent in occurrence are an inappropriate use of Activity funds. As with the other comments it has and is being addressed in trainings already held in 2013 as use of activity funds is comprehensively covered in the 2013 revised Redbook. This matter will additionally be addressed in internal audit (min 2 times per year) activities and eliminated.

FRANKLIN COUNTY SCHOOL DISTRICT
RECOMMENDATION AND COMMENTS TO MANAGEMENT
JUNE 30, 2013
(Continued)

2013-10: Activity Funds Used For Construction and Renovations (Redbook)

Statement of Condition: Construction of a Greenhouse and other renovations were paid for out of activity funds.

Criteria for Condition: School activity funds shall not be used to pay for basic routine operating expenses, renovations or maintenance of school facilities or buildings per Accounting Procedures for Kentucky School Activity Funds, "Redbook."

Cause of the Condition: Purchase was made for cleaning supplies out of general account in the activity funds.

Effect of the Condition: Construction and renovations are disallowed expenditures for activity funds.

Recommendation for Correction: All construction and renovations are to be expensed at the District level.

Response or Additional Information: These funds were specifically collected by donations for the specific purpose of Greenhouse Construction and therefore should have been deposited directly to the District Construction account for that purpose. Increased training has already occurred and the increased emphasis on the 2013 Redbook provisions will help ensure this error will not reoccur.

2013-11 Lack use of Fund-Raising Worksheet (Redbook)

Statement of Condition: Western Hills High School activity funds issued a check in the amount of \$5,000 for start up money for a Bingo fundraiser; however a Fund-Raiser Worksheet was not completed to track revenues or expenses. The start up money was not completely returned as of June 30, 2013.

Criteria for Condition: Fund-raising activities shall be monitored using a Fund Raiser Worksheet. Upon completion of the fund-raising activity or at the end of the year, complete the Fund Raiser Worksheet per Accounting Procedures for Kentucky School Activity Funds, "Redbook."

Cause of the Condition: The internal booster club did not track the Bingo fundraiser properly.

Effect of the Condition: Revenues and expenditures were not tracked and therefore susceptible to misstatement.

Recommendation for Correction: All fundraisers should be tracked by using the KDE approved Fund-Raiser Worksheet.

Response or Additional Information: This comment is of significant concern as the school does not have a charitable gaming license and any fundraising of that type is being done by external organizations. The issue of using Activity funds as startup money or an advance to any external group is clearly prohibited and that point has been reinforced in training related to the 2013 Redbook. This matter will be investigated by the Finance Officer to ensure the funds are accounted for and that the matter does not reoccur. Additionally, this school will be monitored monthly by internal audit by the Finance Officer to ensure future compliance.

FRANKLIN COUNTY SCHOOL DISTRICT
RECOMMENDATION AND COMMENTS TO MANAGEMENT
JUNE 30, 2013
(Continued)

2013-12: Principal's Signature (Redbook)

Statement of Condition: Several checks signed by the Western Hills High School Principal did not appear to match the signature of other forms and checks signed by the Principal.

Criteria for Condition: All checks written on the Activity Fund shall contain the signatures of the principal or his designee, and the school treasurer per Accounting Procedures for Kentucky School Activity Funds, "Redbook."

Cause of the Condition: It appears that the principal was not available to sign checks; therefore someone else signed her name. When confronted about this, the principal did admit she had instructed someone else to sign her name when out of town.

Effect of the Condition: Paid expenditures were not properly authorized.

Recommendation for Correction:

All checks must be signed by the principal, or designee. Franklin County Board has the Finance Officer listed as a designee for all activity funds if the principal or his or her designee is not available.

Response or Additional Information: This comment will be followed up in the internal auditing to be done by the Finance Officer. It is the practice in this district to not allow any alternate signatures on Activity fund checks. In the extreme case where either the Bookkeeper or Principal aren't available the practice is that the Finance Officer or the Superintendent are the only ones that can sign in their place. This matter will be further communicated in the upcoming Internal Auditing to be done by the Finance Officer. Additionally, this school will be monitored monthly by internal audit by the Finance Officer to ensure future compliance.

Prior year comments-

Prior year comments for the District Central Accounting:

2012-01: Purchase orders (District Wide) - CORRECTED

The prior year comment for Activity Funds:

2012-02: Issuance of Receipts, (Redbook) - REPEAT

2012-03: Deposits over \$100 (Redbook) - REPEAT

2012-04: Ticket Sales (Redbook) - REPEAT

2012-05: Handling Cash (Redbook) - REPEAT

2012-06: Sales Tax, (Redbook) - CORRECTED

2012-07: Multiple Receipt Forms, (Redbook) - REPEAT

2012-08: Use of Purchase Orders, (Redbook) - REPEAT

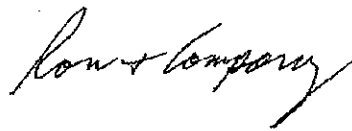
2012-09: Purchase of Teacher Gifts (Redbook) - CORRECTED

FRANKLIN COUNTY SCHOOL DISTRICT
RECOMMENDATION AND COMMENTS TO MANAGEMENT
JUNE 30, 2013
(Continued)

If any action occurs after this exit conference date, which affects the significant or material findings, it is the responsibility of management to provide that information to the auditors.

We sincerely appreciate the courtesy extended to our audit staff again this year. Of course, should you have any questions or concerns regarding your audit, please feel free to contact us.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Ross & Company".

Ross & Company, PLLC
November 13, 2013